

Internal Revenue Service

Number: **201003009**

Release Date: 1/22/2010

Index Numbers: 332.00-00, 355.01-00,
368.04-00, 368.06-00,
351.00-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

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PLR-129948-09

Date:

October 19, 2009

LEGEND

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

Controlled =

Partnership 1 =

Partnership 2 =

Company A =

Company A Sub 1 =

Company A Sub 2 =

Newco 1 =

Newco 2 =

Newco 3 =

Newco 4 =

Newco 5 =

Sub 14 Note =

State A =

State B =

Country X =

Business A =

Business B =

Business C =

Business Entity A =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

Dear :

This letter responds to your June 12, 2009 request for rulings on certain federal income tax consequences of the Proposed Transactions (as defined below). The information provided in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Distributions (defined below) each: (i) satisfy the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations, (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)), or (iii) is part of a plan (or series of related transactions) pursuant to which

one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see § 355(e) and § 1.355-7).

Summary of Facts

Parent (a foreign corporation) is the common parent of a corporate group which includes domestic and foreign corporations engaged in various businesses, including Business A, Business B, and Business C.

Parent wholly owns Sub 1. Sub 1 wholly owns Sub 2. Sub 2 wholly owns Sub 3, Sub 4, and Sub 5. Sub 4 and Sub 5 are each treated as disregarded entities for federal income tax purposes. Sub 5 wholly owns Sub 6.

Sub 3 wholly owns Sub 7. Sub 7 wholly owns Sub 8.

Sub 4 owns a percent of the issued and outstanding shares of Sub 9. The balance of b percent is owned by Sub 5. Sub 9 wholly owns Sub 10. Sub 10 wholly owns Sub 11. Sub 9, Sub 10, and Sub 11 are each treated as disregarded entities for federal income tax purposes.

Sub 8 and Sub 11 own c percent and d percent, respectively of the issued and outstanding shares of Sub 12. Sub 12 wholly owns Sub 13 and many other subsidiaries (including the “Parent RoW Subs”).

Sub 13 is the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Sub 13 wholly owns Sub 14. Sub 14 owns, among its other assets, e percent of the limited partnership interests in Partnership 1. The remaining interest in Partnership 1 is owned by an unrelated company or companies. Sub 14 is engaged in Business A, and Partnership 1 is engaged in Business B.

Sub 12 also wholly owns Sub 15, the common parent of a controlled group of foreign subsidiaries engaged in Business C.

Financial information has been submitted indicating that Business A conducted by Sub 14, Business B conducted by Partnership 1, and Business C conducted by Sub 15 each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

The Proposed Transactions are principally designed to effect (i) the separation of Business A from its other businesses and (ii) the contribution of Business A into a joint venture with Company A (the “Joint Venture”).

Proposed Transaction

For what are represented to be valid business reasons, Parent has proposed the following series of transactions (collectively, the “Proposed Transactions”) to occur in the order listed below:

Assembly of the Domestic Business A Assets

- (i) Sub 8 will elect to be classified as a disregarded entity for U.S. federal income tax purposes (the “Sub 8 Election”).
- (ii) Sub 7 will elect to be classified as a disregarded entity for U.S. federal income tax purposes (the “Sub 7 Election”).
- (iii) Sub 3 will convert into a Country X Business Entity A.
- (iv) Sub 3 will elect to be classified as a disregarded entity for U.S. federal income tax purposes (the “Sub 3 Election”).
- (v) Sub 11 and Sub 8 will sell their interests in Sub 12 to Sub 2.
- (vi) Sub 14 will convert pursuant to the domestication statute of State A from a State B corporation to a State A corporation (“New Sub 14”) (the “Redomiciliation”).
- (vii) New Sub 14 will convert to a single member State A limited liability company by filing a certificate of conversion pursuant to State A law (the “Conversion”).
- (viii) Sub 12 will distribute 100 percent of the issued and outstanding shares of Sub 13 stock to Sub 2 (“Distribution 1”).
- (ix) Sub 14 has formed Controlled. New Sub 14 will contribute the assets of Business A conducted by New Sub 14 to Controlled (“Contribution 1”), and New Sub 14 will distribute 100 percent of the issued and outstanding shares of Controlled to Sub 13.
- (x) Sub 13 will distribute 100 percent of the issued and outstanding shares of Controlled to Sub 2 (“Distribution 2”).
- (xi) Sub 2 will distribute 100 percent of the issued and outstanding shares of Controlled to Sub 1 (“Distribution 3”).
- (xii) Sub 1 will distribute 100 percent of the issued and outstanding shares of Controlled to Parent (“Distribution 4”) (Distribution 1, Distribution 2,

Distribution 3, and Distribution 4 are referred to collectively as the “Distributions”).

Assembly of the Foreign Business A Assets

- (xiii) Sub 5 will incorporate Newco 1.
- (xiv) Newco 1 will incorporate Newco 2. Newco 2 will elect to be classified as a disregarded entity for U.S. federal income tax purposes.
- (xv) Newco 2 will incorporate Newco 3. Newco 3 will elect to be classified as a disregarded entity for U.S. federal income tax purposes.
- (xvi) Sub 5 will incorporate Newco 4 and Newco 5 and transfer them to Newco 2. Newco 4 will elect to be classified as a disregarded entity for U.S. federal income tax purposes.
- (xvii) Sub 6 will elect to be classified as a disregarded entity for U.S. federal income tax purposes.
- (xviii) Sub 5 will contribute the intellectual property (“IP”) of its Business A to Newco 4.
- (xix) Sub 6 will contribute the non-IP assets of its Business A to Newco 4.
- (xx) Under Country X law, employees of Country X Business A will be transferred to Newco 4.
- (xxi) Sub 5 will distribute 100 percent of the issued and outstanding shares of Newco 1 to Sub 2.
- (xxii) Sub 2 will distribute 100 percent of the issued and outstanding shares of Newco 1 to Sub 1.
- (xxiii) Sub 1 will distribute 100 percent of the issued and outstanding shares of Newco 1 to Parent.
- (xxiv) The remaining Business A assets held by certain Parent entities (the “Parent RoW Subs”) will be transferred under Newco 3 or Newco 4 using one of three methods. Under the first method, a Parent RoW Sub will sell its Business A assets directly to a newly formed entity under Newco 3 or Newco 4. Under the second method, an existing entity will be transferred or sold to Newco 3 or Newco 4 and a Parent RoW Sub then will sell its Business A assets directly to such entity. Under the third method, the

shares of an existing or newly formed Parent RoW Sub holding Business A assets will be sold to Newco 3 or Newco 4. The consideration for any sale of Business A assets or shares of an entity holding Business A assets under each of these methods will be cash or debt equal to the estimated fair market value of the assets or shares.

Packaging for the Joint Venture

- (xxv) Parent will contribute all of the stock of Controlled to Newco 1 in exchange for additional shares of Newco 1 stock ("Contribution 2").

Joint Venture Formation

- (xxvi) Sub 1 established Partnership 2 for nominal value in exchange for a nominal share.
- (xxvii) Company A will contribute Company A Sub 1, a single member LLC that is treated as a disregarded entity for U.S. federal income tax purposes and that holds the assets of Company A's domestic Business A to Partnership 2 in exchange for Class C Shares.
- (xxviii) Company A Sub 2 will contribute its foreign Business A to Partnership 2 in exchange for Class B Shares.
- (xxix) Newco 1 will contribute all of the stock of Newco 2 and Controlled to Partnership 2 in exchange for Class A Shares ("Contribution 3").

Partnership 2 will elect to be treated as a partnership for U.S. federal income tax purposes. Immediately following the Proposed Transactions, Parent (through its wholly owned subsidiary, Newco 1) will own f percent of Partnership 2. Company A and Company A Sub 2 will together own the remaining g percent of Partnership 2. Partnership 2 will be managed by a board of directors comprised of h members. Newco 1 will have the right to appoint i directors and Company A will have the right to appoint j directors. All board resolutions will require a majority vote of the directors present at the relevant board meeting (subject to quorum provisions) except for certain extraordinary corporate matters set forth in Sections 4 and 10 of the agreed form Partnership 2 Shareholders Agreement. Under the Shareholders Agreement, Company A will have the right to approve those matters, and certain rights with respect to the dividend and borrowing and lending policies set forth in Sections 13 and 21 of the agreed form Shareholders Agreement, respectively (collectively, the "Extraordinary Corporate Matters").

- (xxx) Partnership 2 will repurchase the nominal share from Sub 1 for nominal value.

- (xxxi) Partnership 2 will transfer Company A Sub 1 to Controlled in exchange for additional shares of Controlled stock.
- (xxxii) Newco 2 will transfer Newco 3, Newco 4 and Newco 5 to Partnership 2 in exchange for debt.

Representations

The Redomiciliation

Parent makes the following representations regarding the Redomiciliation:

- (a1) The fair market value of the New Sub 14 stock received by Sub 13 in the Redomiciliation will be approximately equal to the fair market value of the Sub 14 stock surrendered in the Redomiciliation.
- (b1) Immediately following consummation of the Redomiciliation, Sub 13 will own all of the issued and outstanding New Sub 14 stock and will own such stock solely by reason of its ownership of Sub 14 stock immediately prior to the Redomiciliation.
- (c1) Immediately following consummation of the Redomiciliation, New Sub 14 will possess the same assets and liabilities as those possessed by Sub 14 immediately before the Redomiciliation, except for assets used to pay expenses incurred in connection with the transaction. No assets will be distributed in the Redomiciliation, and there will be no dissenting shareholders. Assets used to pay expenses will constitute less than one percent of the net assets of Sub 14 immediately before the Redomiciliation.
- (d1) At the time of the Redomiciliation, Sub 14 will not have outstanding any warrants, options, convertible securities, or any other type of right, pursuant to which any person could acquire stock in Sub 14.
- (e1) The liabilities of Sub 14 transferred to New Sub 14, if any, were incurred in the ordinary course of business and are associated with the assets transferred.
- (f1) Sub 13 will pay its expenses, if any, incurred in connection with the Redomiciliation.
- (g1) Sub 14 is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

- (h1) The Redomiciliation will be consummated pursuant to a written plan of reorganization.
- (i1) The Redomiciliation will be undertaken for a bona fide business purpose.

The Conversion

Parent makes the following representations regarding the Conversion:

- (a2) Sub 13, on the date of adoption of the plan of Conversion, and at all times until the Conversion is completed, will be the owner of 100 percent of the single outstanding class of New Sub 14 stock.
- (b2) No shares of New Sub 14 stock will have been redeemed during the three years preceding the effective time of the Conversion.
- (c2) Upon the Conversion, New Sub 14 will become a disregarded entity for U.S. federal tax purposes.
- (d2) Except for asset acquisitions from wholly owned subsidiaries in complete liquidation of those subsidiaries, New Sub 14 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the effective time of the Conversion.
- (e2) Except for asset sales to unrelated third parties and a contribution of property to a wholly owned subsidiary, no assets of New Sub 14 have been, or will be, disposed of by either New Sub 14 or Sub 13 except for dispositions (i) in the ordinary course of business, (ii) which occurred more than three years prior to the effective time of the Conversion, or (iii) which occur pursuant to steps undertaken as part of the Proposed Transactions.
- (f2) Except as provided in the Proposed Transactions, the Conversion will not be preceded or followed by the reincorporation, transfer, or sale of all or a part of the businesses or assets of New Sub 14 to another corporation that, directly or indirectly, will be owned more than 20 percent in value by persons holding, directly or indirectly, more than 20 percent in value of the stock of New Sub 14. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).
- (g2) The Business A assets contributed to Controlled will represent less than 20 percent of the fair market value of New Sub 14 on the date of the Conversion.
- (h2) Prior to the effective time of the Conversion, no assets of New Sub 14 will have been distributed in kind, transferred, or sold to Sub 13, except for (i) transactions

occurring in the normal course of business and (ii) transactions occurring more than three years prior to the effective time of the Conversion.

- (i2) New Sub 14 will report all earned income represented by assets that will be distributed to Sub 13 such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (j2) The fair market value of the assets of New Sub 14 will exceed its liabilities immediately prior to the close of business on the day before the Conversion.
- (k2) Other than the Sub 14 Note and the credit facility agreement between New Sub 14 and Sub 13, there is no intercorporate debt existing between Sub 13 and New Sub 14 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the effective time of the Conversion.
- (l2) Sub 13 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.
- (m2) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Conversion have been fully disclosed.

Distribution 1

Parent makes the following representations regarding Distribution 1:

- (a3) The indebtedness, if any, owed by Sub 13 to Sub 12 after Distribution 1 will not constitute stock or securities.
- (b3) No part of the consideration to be distributed by Sub 12 in Distribution 1 will be received by Sub 2 as a creditor, employee, or in any capacity other than that of a shareholder of Sub 12.
- (c3) The five years of financial information submitted for Business B is representative of the business' present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.
- (d3) The five years of financial information submitted for Business C is representative of the business' present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.
- (e3) Following Distribution 1, Sub 12, through its separate affiliated group, will continue the active conduct of Business C, independently and with its separate

employees.

- (f3) Following Distribution 1, Sub 13, through its separate affiliated group, will continue the active conduct of Business B, independently and with its separate employees.
- (g3) Distribution 1 is being carried out for the corporate business purposes of facilitating Distribution 2, Distribution 3, and Distribution 4. Distribution 1 is motivated, in whole or substantial part, by this corporate business purpose.
- (h3) Distribution 1 is not being used principally as a device for the distribution of the earnings and profits of Sub 12 or Sub 13 or both.
- (i3) Immediately after the transaction (within the meaning of § 355(g)(4)), no person will hold a 50-percent or greater interest in either Sub 12 or Sub 13 (within the meaning of § 355(g)(3)) who did not hold such an interest immediately before the transaction.
- (j3) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 12 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 12 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Distribution 1.
- (k3) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 13 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 13 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 1 or (ii) attributable to distributions on Sub 12 stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 1.
- (l3) Neither Business C nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 1, Sub 15 will have been the principal owner of the goodwill and significant assets of Business C and will continue to be the principal owner following Distribution 1.

- (m3) Neither Business B nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 1, Partnership 1 will have been the principal owner of the goodwill and significant assets of Business B and will continue to be the principal owner following Distribution 1.
- (n3) No intercorporate debt will exist between Sub 12 and Sub 13 at the time of, or subsequent to, Distribution 1.
- (o3) Payments made in connection with all continuing transactions between Sub 12 and Sub 13 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (p3) Sub 12 and Sub 13 each will pay its or their own expenses, if any, incurred in connection with Distribution 1.
- (q3) Distribution 1 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Sub 12 or Sub 13 (including any predecessor or successor of any such corporation).
- (r3) Sub 13 was not and will not be a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of Distribution 1 or immediately following Distribution 1.
- (s3) Sub 12 and Sub 2 will not be controlled foreign corporations (within the meaning of § 957(a)) immediately before or after Distribution 1.
- (t3) Sub 12 and Sub 2 will not be passive foreign investment companies (within the meaning of § 1297(a)) immediately before or after Distribution 1.
- (u3) Distribution 1 does not include the transfer of stock in any corporation that has been the U.S. transferor, the transferee foreign corporation, or the transferred corporation with respect to any unexpired 'gain recognition agreement' within the meaning of §§ 1.367(a)-3 and 1.367(a)-8.

Contribution 1 and Distribution 2

Parent makes the following representations regarding Contribution 1 and Distribution 2:

- (a4) The indebtedness, if any, owed by Controlled to Sub 13 after Distribution 2 will not constitute stock or securities.
- (b4) No part of the consideration to be distributed by Sub 13 in Distribution 2 will be received by Sub 2 as a creditor, employee, or in any capacity other than that of a shareholder of Sub 13.
- (c4) The five years of financial information submitted for Business A is representative of the business' present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.
- (d4) The five years of financial information submitted for Business B is representative of the business' present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.
- (e4) Following Distribution 2, Controlled, through its separate affiliated group, will continue the active conduct of Business A, independently and with its separate employees.
- (f4) Following Distribution 2, Sub 13, through its separate affiliated group, will continue the active conduct of Business B, independently and with its separate employees.
- (g4) Distribution 2 is being carried out for the following corporate business purposes: (i) fit and focus and (ii) facilitating the Joint Venture. Distribution 2 is motivated, in whole or substantial part, by this corporate business purpose.
- (h4) Distribution 2 is not being used principally as a device for the distribution of the earnings and profits of Sub 13 or Controlled or both.
- (i4) Immediately after the transaction (within the meaning of § 355(g)(4)), no person will hold a 50-percent or greater interest in either Sub 13 or Controlled (within the meaning of § 355(g)(3)) who did not hold such an interest immediately before the transaction.
- (j4) For purposes of § 355(d), immediately after Distribution 2, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 13 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 13 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Distribution 2.

- (k4) For purposes of § 355(d), immediately after Distribution 2, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 2 or (ii) attributable to distributions on Sub 13 stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 2.
- (l4) No intercorporate debt will exist between Sub 13 and Controlled at the time of, or subsequent to, Distribution 2.
- (m4) Immediately before Distribution 2, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Sub 13's excess loss account, if any, with respect to Controlled will be included in income immediately before Distribution 2 (see § 1.1502-19).
- (n4) Payments made in connection with all continuing transactions between Sub 13 and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (o4) No two parties to Distribution 2 are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).
- (p4) Sub 13 and Controlled each will pay its or their own expenses, if any, incurred in connection with Distribution 2.
- (q4) Distribution 2 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Sub 13 or Controlled (including any predecessor or successor of any such corporation).
- (r4) Neither Business B nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 2, Partnership 1 will have been the principal owner of the goodwill and significant assets of Business B and will continue to be the

principal owner following Distribution 2.

- (s4) Neither Business A nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of Contribution 1, Sub 14 or Sub 13 will have been the principal owner of the goodwill and significant assets of Business A. Following Contribution 1 and Distribution 2, Controlled will be the principal owner of the goodwill and significant assets of Business A.
- (t4) The total adjusted bases of the assets to be transferred to Controlled by Sub 13 in Contribution 1 will equal or exceed the sum of (i) the total liabilities assumed (within the meaning of § 357(d)) by Controlled and (ii) the total amount of any money and the fair market value of any property (within the meaning of § 361(b)) received by Sub 13 from Controlled and transferred to the shareholders or the creditors of Sub 13 pursuant to the plan of reorganization.
- (u4) The liabilities assumed, if any, (as determined under § 357(d)) by Controlled were incurred in the ordinary course of business and are associated with the assets to be transferred.
- (v4) The total fair market value of the assets transferred by Sub 13 to Controlled in Contribution 1 will exceed the sum of (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled in connection with the exchange, (ii) the amount of any liabilities owed to Controlled by Sub 13 that are discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Sub 13 in connection with the exchange. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after the exchange.
- (w4) Sub 13 was not and will not be a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of Contribution 1 and Distribution 2, or immediately following Contribution 1 and Distribution 2.
- (x4) Controlled was not and will not be a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of Contribution 1 and Distribution 2, or immediately following Contribution 1 and Distribution 2.
- (y4) Sub 2 will not be a controlled foreign corporation (within the meaning of § 957(a))

or a passive foreign investment company (within the meaning of § 1297(a)) immediately before or after Contribution 1 and Distribution 2.

- (z4) Contribution 1 and Distribution 2 will not include the transfer of stock in any corporation that has been the U.S. transferor, the transferee foreign corporation, or the transferred corporation with respect to any unexpired 'gain recognition agreement' within the meaning of §§ 1.367(a)-3 and 1.367(a)-8.
- (aa4) Contribution 3 will qualify as a nontaxable contribution to a partnership under § 721(a).

Distribution 3

Parent makes the following representations regarding Distribution 3:

- (a5) The indebtedness, if any, owed by Controlled to Sub 2 after Distribution 3 will not constitute stock or securities.
- (b5) No part of the consideration to be distributed by Sub 2 in Distribution 3 will be received by Sub 1 as a creditor, employee, or in any capacity other than that of a shareholder of Sub 2.
- (c5) The five years of financial information submitted for Business C is representative of the business' present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.
- (d5) The five years of financial information submitted for Business A is representative of the business' present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.
- (e5) Following Distribution 3, Sub 2, through its separate affiliated group, will continue the active conduct of Business C, independently and with its separate employees.
- (f5) Following Distribution 3, Controlled, through its separate affiliated group, will continue the active conduct of Business A, independently and with its separate employees.
- (g5) Distribution 3 is being carried out for the following corporate business purposes: (i) fit and focus and (ii) facilitating the Joint Venture. Distribution 3 is motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (h5) Distribution 3 is not being used principally as a device for the distribution of the

earnings and profits of Sub 2 or Controlled or both.

- (i5) Immediately after the transaction (within the meaning of § 355(g)(4)), no person will hold a 50-percent or greater interest in either Sub 2 or Controlled (within the meaning of § 355(g)(3)) who did not hold such an interest immediately before the transaction.
- (j5) For purposes of § 355(d), immediately after Distribution 3, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 2 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 2 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 3.
- (k5) For purposes of § 355(d), immediately after Distribution 3, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 3 or (ii) attributable to distributions on Sub 2 stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 3.
- (l5) Neither Business C nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of Distribution 3 in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 3, Sub 15 will have been the principal owner of the goodwill and significant assets of Business C and will continue to be the principal owner following Distribution 3.
- (m5) Neither Business A nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of Distribution 3 in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 3, Sub 14, Sub 13 or Controlled will have been the principal owner of the goodwill and significant assets of Business A. Following Distribution 3, Controlled will be the principal owner of the goodwill and significant assets of the Business A.
- (n5) No intercorporate debt will exist between Sub 2 and Controlled at the time of, or

subsequent to, Distribution 3.

- (o5) Payments made in connection with all continuing transactions between Sub 2 and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (p5) Sub 2 and Controlled each will pay its or their own expenses, if any, incurred in connection with Distribution 3.
- (q5) Distribution 3 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Sub 2 or Controlled (including any predecessor or successor of any such corporation).
- (r5) Controlled will not be a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of Distribution 3, or immediately following Distribution 3.
- (s5) Sub 2 and Sub 1 will not be controlled foreign corporations (within the meaning of § 957(a)) or passive foreign investment companies (within the meaning of § 1297(a)) immediately before or after Distribution 3.
- (t5) Distribution 3 will not include the transfer of stock in any corporation that has been the U.S. transferor, the transferee foreign corporation, or the transferred corporation with respect to any unexpired 'gain recognition agreement' within the meaning of §§ 1.367(a)-3 and 1.367(a)-8.

Distribution 4

Parent makes the following representations regarding Distribution 4:

- (a6) The indebtedness, if any, owed by Controlled to Sub 1 after Distribution 4 will not constitute stock or securities.
- (b6) No part of the consideration to be distributed by Sub 1 in Distribution 4 will be received by Parent as a creditor, employee, or in any capacity other than that of a shareholder of Sub 1.
- (c6) The five years of financial information submitted for Business C is representative of the business' present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.
- (d6) The five years of financial information submitted for Business A is representative

of the business' present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.

- (e6) Following Distribution 4, Sub 1, through its separate affiliated group, will continue the active conduct of Business C, independently and with its separate employees.
- (f6) Following Distribution 4, Controlled, through its separate affiliated group, will continue the active conduct of Business A, independently and with its separate employees.
- (g6) Distribution 4 is being carried out for the following corporate business purposes: (i) fit and focus and (ii) facilitating the Joint Venture. Distribution 4 is motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (h6) Distribution 4 is not being used principally as a device for the distribution of the earnings and profits of Sub 1 or Controlled or both.
- (i6) Immediately after the transaction (within the meaning of § 355(g)(4)), no person will hold a 50-percent or greater interest in either Sub 1 or Controlled (within the meaning of § 355(g)(3)) who did not hold such an interest immediately before the transaction.
- (j6) For purposes of § 355(d), immediately after Distribution 4, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 1 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 1 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 4.
- (k6) For purposes of § 355(d), immediately after Distribution 4, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 4 or (ii) attributable to distributions on Sub 1 stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 4.
- (l6) Neither Business C nor control of an entity conducting this business will have

been acquired during the five-year period ending on the date of Distribution 4 in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 4, Sub 15 will have been the principal owner of the goodwill and significant assets of Business C and will continue to be the principal owner following Distribution 4.

- (m6) Neither Business A nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of Distribution 4 in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 4, Sub 14, Sub 13, or Controlled will have been the principal owner of the goodwill and significant assets of Business A. Following Distribution 4, Controlled will be the principal owner of the goodwill and significant assets of Business A.
- (n6) No intercorporate debt will exist between Sub 1 and Controlled at the time of, or subsequent to, Distribution 4.
- (o6) Payments made in connection with all continuing transactions between Sub 1 and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (p6) Sub 1 and Controlled each will pay its or their own expenses, if any, incurred in connection with Distribution 4.
- (q6) Distribution 4 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Sub 1 or Controlled (including any predecessor or successor of any such corporation).
- (r6) Controlled will not be a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of Distribution 4, or immediately following Distribution 4.
- (s6) Sub 1 and Parent will not be controlled foreign corporations (within the meaning of § 957(a)) or passive foreign investment companies (within the meaning of § 1297(a)) immediately before or after Distribution 4.
- (t6) Distribution 4 will not include the transfer of stock in any corporation that has been the U.S. transferor, the transferee foreign corporation, or the transferred corporation with respect to any unexpired 'gain recognition agreement' within the meaning of §§ 1.367(a)-3 and 1.367(a)-8.

Additional Representations

Parent makes the following additional representations:

- (a7) The Sub 8 Election will result in the complete liquidation of Sub 8 under § 332(a).
- (b7) The Sub 7 Election will result in the complete liquidation of Sub 7 under § 332(a).
- (c7) The Sub 3 Election will result in the complete liquidation of Sub 3 under § 332(a).

Rulings

The Redomiciliation

Based solely on the information and representations submitted, we rule as follows on the Redomiciliation:

- (1) The Redomiciliation will constitute a reorganization within the meaning of § 368(a)(1)(F). Sub 14 and New Sub 14 will each be “a party to a reorganization” within the meaning of § 368(b).
- (2) No gain or loss will be recognized by Sub 13 on its deemed exchange of shares of Sub 14 stock for shares of New Sub 14 stock in the Redomiciliation (§ 354(a)).
- (3) No gain or loss will be recognized by Sub 14 on the deemed transfer of its assets and liabilities to New Sub 14 in the Redomiciliation (§§ 361(a) and 357(a)).
- (4) No gain or loss will be recognized by New Sub 14 on its deemed receipt of Sub 14’s assets and liabilities in the Redomiciliation (§ 1032(a)).
- (5) The basis of each asset held by New Sub 14 immediately after the Redomiciliation will be the same as the basis of that asset in the hands of Sub 14 immediately before the Redomiciliation (§ 362(b)).
- (6) The basis of the New Sub 14 stock deemed to be received by Sub 13 in the Redomiciliation will be the same as its basis in the Sub 14 stock deemed to be surrendered (§ 358(a)).
- (7) The holding period of the New Sub 14 stock deemed to be received by Sub 13 in the Redomiciliation will include the holding period of the Sub 14 stock deemed to be exchanged therefor, provided that the Sub 14 stock is held as a capital asset on the date of the Redomiciliation (§ 1223(1)).

- (8) The holding period of each asset held by New Sub 14 immediately after the Redomiciliation will include the period during which the asset was held by Sub 14 (§ 1223(2)).
- (9) The tax attributes of Sub 14 enumerated in § 381(c) will be taken into account by New Sub 14 as if there had been no reorganization (§ 1.381(b)-1(a)(2)).

The Conversion

Based solely on the information and representations submitted, we rule as follows on the Conversion:

- (10) The Conversion will qualify as a complete liquidation of New Sub 14 under § 332.
- (11) No gain or loss will be recognized by Sub 13 on the deemed receipt of all the assets of New Sub 14 in the Conversion (§ 332(a)).
- (12) No gain or loss will be recognized by New Sub 14 on the deemed distribution of its assets to, and the assumption of its liabilities by, Sub 13 in the Conversion (§ 337(a)).
- (13) The basis of each asset deemed to be received by Sub 13 from New Sub 14 in the Conversion will equal the basis of that asset in the hands of New Sub 14 immediately before the Conversion (§ 334(b)(1)).
- (14) The holding period of each asset deemed to be received by Sub 13 from New Sub 14 in the Conversion will include the period during which the asset was held by New Sub 14 (§ 1223(2)).
- (15) Sub 13 will succeed to and take into account the items of New Sub 14 described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

Distribution 1

Based solely on the information and representations submitted, we rule as follows on Distribution 1.

- (16) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 2 on the receipt of Sub 13 stock in Distribution 1 (§ 355(a)(1)).
- (17) No gain or loss will be recognized by Sub 12 on the distribution of Sub 13 stock to Sub 2 in Distribution 1 (§ 355(c)(1)).

- (18) The aggregate basis of the Sub 12 stock and the Sub 13 stock in the hands of Sub 2 immediately after Distribution 1 will be the same as Sub 2's aggregate basis in the Sub 12 stock held immediately before Distribution 1, allocated between the Sub 12 stock and the Sub 13 stock in proportion to the fair market values of each in accordance with § 1.358-2(a) (§ 358(a), (b), and (c)).
- (19) The holding period of the Sub 13 stock received by Sub 2 in Distribution 1 will include the holding period of the Sub 12 stock on which Distribution 1 is made, provided that the Sub 12 stock is held as a capital asset on the date of Distribution 1 (§ 1223(1)).
- (20) Earnings and profits of Sub 12, if any, will be allocated between Sub 12 and Sub 13 in accordance with § 312(h) and § 1.312-10(b).

Contribution 1 and Distribution 2

Based solely on the information and representations submitted, we rule as follows on Contribution 1 and Distribution 2.

- (21) Contribution 1 together with Distribution 2 will qualify as a reorganization within the meaning of § 368(a)(1)(D). Sub 13 and Controlled will each be "a party to a reorganization" within the meaning § 368(b).
- (22) No gain or loss will be recognized by Sub 13 on the contribution of Business A to Controlled in Contribution 1 (§ 361(a)).
- (23) No gain or loss will be recognized by Controlled on the receipt of Business A from Sub 13 in Contribution 1 (§ 1032(a)).
- (24) The basis of each asset received by Controlled in Contribution 1 will be the same as the basis of that asset in the hands of Sub 13 immediately before its transfer (§ 362(b)).
- (25) The holding period of each asset received by Controlled in Contribution 1 will include the period during which Sub 13 held that asset (§ 1223(2)).
- (26) No gain or loss will be recognized by Sub 13 on the distribution of Controlled stock to Sub 2 in Distribution 2 (§ 361(c)).
- (27) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 2 on the receipt of Controlled stock in Distribution 2 (§ 355(a)(1)).
- (28) The aggregate basis of the Sub 13 stock and the Controlled stock in the hands of Sub 2 immediately after Distribution 2 will be the same as Sub 2's aggregate

basis in the Sub 13 stock held immediately before Distribution 2, allocated between the Sub 13 stock and the Controlled stock in proportion to the fair market values of each in accordance with § 1.358-2(a) (§ 358(a), (b), and (c)).

- (29) The holding period of the Controlled stock received by Sub 2 in Distribution 2 will include the holding period of the Sub 13 stock on which Distribution 2 is made, provided that the Sub 13 stock is held as a capital asset on the date of Distribution 2 (§ 1223(1)).
- (30) Earnings and profits of Sub 13, if any, will be allocated between Sub 13 and Controlled in accordance with § 312(h) and § 1.312-10(a).
- (31) Company A's right to approve the Extraordinary Corporate Matters of Partnership 2 will not result in Company A being treated as acquiring, directly or indirectly, 50 percent of the combined voting power of Controlled for purposes of § 355(e).

Distribution 3

Based solely on the information and representations submitted, we rule as follows on Distribution 3.

- (32) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 1 on the receipt of Controlled stock in Distribution 3 (§ 355(a)(1)).
- (33) No gain or loss will be recognized by Sub 2 on the distribution of Controlled stock to Sub 1 in Distribution 3 (§ 355(c)(1)).
- (34) The aggregate basis of the Sub 2 stock and the Controlled stock in the hands of Sub 1 immediately after Distribution 3 will be the same as Sub 1's aggregate basis in the Sub 2 stock held immediately before Distribution 3, allocated between the Sub 2 stock and the Controlled stock in proportion to the fair market values of each in accordance with § 1.358-2(a) (§ 358(a), (b), and (c)).
- (35) The holding period of the Controlled stock received by Sub 1 in Distribution 3 will include the holding period of the Sub 2 stock on which Distribution 3 is made, provided that the Sub 2 stock is held as a capital asset on the date of Distribution 3 (§ 1223(1)).
- (36) Earnings and profits of Sub 2, if any, will be allocated between Sub 2 and Controlled in accordance with § 312(h) and § 1.312-10(b).

Distribution 4

Based solely on the information and representations submitted, we rule as follows on Distribution 4.

- (37) No gain or loss will be recognized by (and no amount will be included in the income of) Parent on the receipt of Controlled stock in Distribution 4 (§ 355(a)(1)).
- (38) No gain or loss will be recognized by Sub 1 on the distribution of Controlled stock to Parent in Distribution 4 (§ 355(c)(1)).
- (39) The aggregate basis of the Sub 1 stock and the Controlled stock in the hands of Parent immediately after Distribution 4 will be the same as Parent's aggregate basis in the Sub 1 stock held immediately before Distribution 4, allocated between the Sub 1 stock and the Controlled stock in proportion to the fair market values of each in accordance with § 1.358-2(a) (§ 358(a), (b), and (c)).
- (40) The holding period of the Controlled stock received by Parent in Distribution 4 will include the holding period of the Sub 1 stock on which Distribution 4 is made, provided that the Sub 1 stock is held as a capital asset on the date of Distribution 4 (§ 1223(1)).
- (41) Earnings and profits of Sub 1, if any, will be allocated between Sub 1 and Controlled in accordance with § 312(h) and § 1.312-10(b).

Caveats

No opinion is expressed about the tax treatment of the Proposed Transactions under other provisions of the Code and regulations or on the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above rulings. In particular, this office has not reviewed any information pertaining to and has made no determination regarding:

- (i) Whether the Distributions satisfy the business purpose requirement of § 1.355-2(b);
- (ii) Whether the Distributions are used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both; and
- (iii) Whether the Distributions and an acquisition or acquisitions are part of a plan (or series of related transactions) under § 355(e)(2)(A)(ii).

(iv) To the extent not otherwise specifically ruled upon above, the adjustments to earnings and profits or deficits in earnings and profits, if any, in any of the transactions to which § 367 applies.

(v) To the extent not otherwise specifically ruled upon above, any other consequences under § 367 on any internal restructuring transaction in this ruling letter.

(vi) Whether any or all of the above-referenced foreign corporations are PFICs within the meaning of § 1297(a). If it is determined that any such corporations are PFICs, no opinion is expressed with respect to the application of §§ 1291 through 1298 to the Proposed Transactions. In particular, in a transaction in which gain is not otherwise recognized, regulations under § 1291(f) may require gain recognition notwithstanding any other provisions of the Code.

(vii) The federal tax treatment of steps (i) - (v) and steps (xiii) – (xxxii) of the Proposed Transactions.

Procedural Statements

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this ruling letter must be attached to any income tax return to which it is relevant. Alternatively, any taxpayers filing their return electronically may satisfy this requirement by attaching a statement to the return that provides the date and control number of this letter ruling.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Richard K. Passales
Senior Counsel, Branch 4
Associate Chief Counsel (Corporate)